



DEPARTMENT OF THE NAVY
NAVAL SCHOOL OF HEALTH SCIENCES
BETHESDA MARYLAND 20889-5611

IN REPLY REFER TO:

NSHSBETHINST 7000.2

01
DEC - 9 1980

NSHS BETHESDA INSTRUCTION 7000.2

From: Commanding Officer

Subj: OPERATING TARGET (OPTAR) MANAGEMENT

Ref: (a) NAVCOMPT Manual 032002(2) and 071142

Encl: (1) Financial Management Standard Operating Procedures

1. **Purpose.** To provide guidelines and delineate fiscal accountability throughout the command and for the use of Operating Targets (OPTARs) as management tools in maintaining positive accountability of funds, and effecting budget preparation and execution.

2. **Scope.** Naval School of Health Sciences, Bethesda, Maryland (NSHS) receives funding from the Bureau of Medicine and Surgery (BUMED) for programs within its area of responsibility. This includes Defense Health Program (DHP) and Reserve Personnel Navy (RPN) appropriated funds. This instruction applies to the financial resources to support education and training programs. Program managers will establish procedures and internal controls commensurate with their level of responsibility for receipt, accounting, and expenditure of appropriated funds.

3. **Background.** BUMED provides new obligation authority (NOA) to this command through resources authorizations. Per reference (a), the Commanding Officer will manage the program and optimize funding limitations, employing procedures and systems recommended by the Comptroller or established by BUMED. The Commanding Officer is authorized to establish OPTAR amounts for functions and cost centers across the command. OPTAR holders are responsible for the operational execution of funds placed in their control, including travel, supplies, contracts, tuition, stipends, and allowances. Although OPTAR holders are not subject to 31 U.S.C. 1517, the Commanding Officer can impose administrative penalties for inappropriate use and handling of OPTAR funds.

4. **Policy.** OPTAR is an administrative planning requirement which provides expenditure limitation to OPTAR holders. OPTARs will be issued within the authorized funding limitations and will be used properly to buy materials and services necessary to plan and execute programs. OPTAR holders will be guided by enclosure (1).

DEC - 9

This will provide useful information about evaluating and changing line items within OPTARs. It will also provide examples of the monthly OPTAR reports. OPTAR holders will maintain a system of internal controls and records to reconcile with the official financial reports.

5. **Responsibility.**

a. The Director for Resources/Comptroller will:

(1) Be appointed in writing as the allotment administrator.

(2) Provide periodic financial management training for OPTAR holders and their assistants.

(3) Advise the CO and program managers in the management of OPTARs.

(4) Recommend OPTAR allocations to the CO within the funding limitations available to the command based on the requested need, past history, and workload.

(5) Provide meaningful OPTAR allocation summaries and status of funds reports to each OPTAR holder.

(6) Evaluate and make a request for additional funding of OPTAR holders and assist them in justifying and presenting their issues to the Budget Advisory Council.

b. The Directors/Program Managers will:

(1) Ensure personnel assigned receive adequate training in OPTAR management and other resources management functions.

(2) Review all department budget submissions for accuracy of data and requirements.

(3) Monitor the financial position of their directorates conferring with those department heads whose OPTARs show obligation variances greater than 10 percent of the budget and documenting action taken.

c. The Budget Advisory Council (BAC) will:

(1) Review annual budget plan and make recommendations to the Commanding Officer on programs with the highest priority to be funded first.

DEC - 9 1981

(2) Review and take actions on all unfunded requests for departments experiencing critical shortfalls, resolving these within directorate funds, if at all possible. If this is not possible, the appropriate director shall present the issues to the BAC for discussion.

d. OPTAR Holders will:

(1) Submit, via their Directors, meaningful cost data analysis regarding funding requirements in their initial budget call submissions and any amendments thereafter.

(2) Exercise responsible OPTAR management practices ensuring efficient and effective use of funds in their control.

(3) Ensure monthly reconciliation with the Status of Funds Report received from Financial Management Department. Report any variances or discrepancies to Financial Management Department for resolution.

(4) Submit timely OPTAR change requests to the appropriate Director, with a copy to the Comptroller, identifying any anticipated events requiring additional funding or other changes to the OPTARs. These must be clearly justified, show the amount required and contain an impact statement on the consequences to the command if not funded.

6. **Reporting.** The Comptroller will provide the BAC a formal presentation quarterly on the status of the command financial performance, as well as significant fiscal issues. A written Financial Management Report concerning the status of funds will be provided to the Commanding Officer monthly. An update on current fiscal issues will be provided to the Commanding Officer and Executive Officer in the monthly Financial Management Report and monthly OPTAR Summary Report. The Commanding Officer and Executive Officer will be notified of any fiscal changes and events when warranted.


D. A. WYNKOOP

NAVAL SCHOOL OF HEALTH SCIENCES
BETHESDA, MARYLAND

FINANCIAL MANAGEMENT DEPARTMENT
STANDARD OPERATING PROCEDURES

Submitted by:

CDR (S) J. C. BELTRANO, MSC, USN
DIRECTOR FOR RESOURCES MANAGEMENT/COMPTROLLER

DATE

Reviewed by:

P. P. Garms
CAPT P. P. GARMS, MSC, USN
EXECUTIVE OFFICER

24 NOV 98
DATE

Approved by:

D. A. Wynkoop
CAPT D. A. WYNKOOP, MSC, USN
COMMANDING OFFICER

24 Nov 98
DATE

TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
I. OPTAR MANAGEMENT TERMINOLOGY	1
1. Operations and Maintenance, Defense Health Programs (O&M, DHP) Appropriation	
2. Other Procurement, Defense Health Programs	
3. Annual Planning Figure (APF)	
4. New Obligation Authority (NOA)	
5. OPTAR or Program Manager	
6. Operating Target (OPTAR)	
7. Signature Authority	
8. Commitment	
9. Obligation	
10. Expense	
11. Price Adjustment	
12. Minor Equipment	
13. Investment Equipment	
14. Object Class 11 Ceiling (OC-11)	
15. End-Strength (E/S)	
16. Fact-of-Life Issue (FOL)	
17. Offset	
18. Unfunded Requirement (UFR)	
II. GUIDELINES FOR OPTAR MANAGERS	3
III. OPTAR EXECUTION PROCEDURES	5
1. Authority to Use Funds	
2. OPTAR Log	
3. Other OPTAR Documentation	
a. Operating Target Letters	
b. Procurement Documents	
c. Status of Funds Report	
4. Requisition Numbers	
5. Line of Accounting	
6. Validations	
7. Commitment/Obligation Rates	
8. Assistance	
IV. Appendix	
Exhibit (1) - Budget Call	
Exhibit (2) - Request for OPTAR Increase	
Exhibit (3) - Monthly OPTAR Status Report	

IV. Appendix (cont'd)

- Exhibit (4) - Appointment Letter
- Exhibit (5) - Program Manager Numbers List
- Exhibit (6) - Object Class & Expense Element List

V. Flowcharts

- Flowchart #1 - Formulation
- Flowchart #2 - Budget Process to BUMED
- Flowchart #3 - Annual Planning Figure
(APF) Distribution
- Flowchart #4 - OPTAR Distribution

I. OPTAR MANAGEMENT TERMINOLOGY

1. **Operations and Maintenance, Defense Health Programs (O&M,DHP) Appropriation.** That from which command normal operations are funded. The vast majority of our requirements are included. Annual, i.e. expires for obligation purposes after one year.
2. **Other Procurement, Defense Health Programs (OP,DHP).** That from which command investment equipment (\$100K or greater) is funded. Triennial, i.e. expires for obligation purposes after three years.
3. **Annual Planning Figure (APF).** A dollar figure provided to the command representing the amount of funding BUMED plans to distribute to our programs over the current fiscal year. This is a planning number only, not real dollars. We should never plan to exceed it.
4. **New Obligation Authority (NOA).** Actual funding provided the command by BUMED, usually on a quarterly basis. It may or may not match the APF distribution. This amount is the real limit placed on the command for obligation of funds. If it is exceeded at any time, a violation of law has occurred.
5. **OPTAR or Program Manager.** A person responsible for the management of a specific function, project or specialty within the command, and the resources supporting the operations. Normally this is a Director or department head.
6. **Operating Target (OPTAR).** A planning figure provided an OPTAR Manager, against which may be committed command funds to support their operations. Not real money. Should not be exceeded without the knowledge and approval of the Director.
7. **Signature Authority.** All OPTAR managers have the authority to sign requisitions making procurements against their OPTARs. This constitutes "signature authority" for both procurement and funding purposes. An OPTAR manager may delegate this authority by notifying the Director for Resources/Comptroller in writing. They cannot, however, delegate responsibility for the management of the OPTAR.
8. **Commitment.** A reservation of funds in anticipation of placing an official order for goods or services. Initiating a requisition to Materials Management Department for the purchase of a supply item creates a commitment.

9. **Obligation**. An official promise of funds for goods or services actually ordered. The letting of an open purchase contract by Materials Management Department creates an obligation. Obligation follows after a commitment is made.
10. **Expense**. Actual payment of funds based on receipt of a proper invoice. Expense follows an obligation.
11. **Price Adjustment**. A change to the price of procurement as it moves from commitment to obligation to expense. The commitment price is an "estimate" to the OPTAR manager and command. The obligated price is what is initially contracted, and is considered "actual" to the OPTAR manager. The expensed price is the cost finally paid by the command when the procurement is completed and closed, and is considered "actual" to the command.
12. **Minor Equipment**. Equipment costing less than \$100K per unit-of-issue or system. Funded with O&M,DHP dollars from the centrally managed OPTARs.
13. **Investment Equipment**. Equipment costing \$100K or more per unit-of-issue or system. Funded with OP,DHP dollars, not from NSHS OPTARs.
14. **Object Class 11 Ceiling (OC-11)**. A limit placed by BUMED on our authority to establish obligations for civilian personnel salaries. Does not include benefits (OC-12). Not real money. Often called "purple dollars", as against "green dollars" for real money. It is possible to receive additional OC-11 ceiling without matching real dollars.
15. **End-Strength (E/S)**. A limit placed by BUMED on our authority to fill civilian personnel positions. The OC-11 ceiling is a reflection of the average cost of this cap.
16. **Fact-of-Life Issue (FOL)**. A requirement to be funded from existing dollars regardless of receipt of additional funding. An example would be an unanticipated and unbudgeted requirement for utilities. Funding of FOL forces the unfunding of an existing lower priority requirement called an "offset".

17. **Offset**. A low priority requirement unfunded locally as a result of funding a FOL requirement.

18. **Unfunded Requirement (UFR)**. A requirement to be funded only if additional funding is provided from BUMED.

II. GUIDELINES FOR OPTAR MANAGERS

1. OPTAR managers are administratively responsible to the Commanding Officer for the management of their OPTAR.
2. OPTAR managers will receive funding in support of their direct mission requirement. OPTAR amounts are determined by budget call input, program history, and program changes. Budget call is initiated annually by the Commanding Officer as described in Exhibit 1. Funds will be distributed to each OPTAR manager as soon as an annual resources authorization is received. The authorized total for each OPTAR is provided during the budget call process when OPTAR managers are asked to provide phasing plans and unfunded issues. Each month, a status of funds report will provide the current authorized OPTAR total balance. Use of these funds may not be exceeded without prior written approval.
 - a. Fixed operating costs will be a centrally funded OPTAR, including utilities, civilian salaries, annual service contracts, equipment, ADP, and mission or emergency travel of staff. This will be subtracted from the total Expense Operating Budget (EOB) by the Comptroller before OPTARs are distributed.
 - b. If OPTARs received or distributed are not adequate (or in excess) for normal operations, the Comptroller should be notified by the OPTAR manager as soon as possible so that funding resolution is implemented. Written justification, with supporting documentation, will be required when seeking additional funding. Exhibit (2) is the sample request for OPTAR Increase.
 - c. Each OPTAR includes the financial resources necessary to carry out the responsibilities assigned to the OPTAR holder. Most OPTARs contain dollars for student travel to courses, fees, tuition, and supplies for educational training programs. Some OPTARs will include dollars for NSHS staff members' travel in support of their mission. These trips must be listed in the command travel plan under the correct job order number (JON) to facilitate approval by the Commanding Officer. The total for these approved trips are included in the total for that OPTAR holder.

d. Monthly Status of Funds Reports will be provided to OPTAR holders by the Comptroller. These reports will reflect the amount shown as obligated through the end of the reporting cycle in the official accounting system. A list of document transactions for the month is included to keep OPTAR managers financially informed at the most detailed level possible.

e. The monthly Status of Funds Report will be used by OPTAR managers to evaluate their performance against their plan. This evaluation facilitates explanation of variances, revision of current year estimates, and improvement of future year plans.

f. OPTAR managers will maintain a document control system for validation against official financial reports. This control system can be in the form of an OPTAR log, spreadsheet, or document filing system. It should provide information about each JON funded. This information should include, but not be limited to, the identity and dollar amount of documents pending entry into the official accounting system, and documents recorded in the official system. These systems will be reviewed annually in an internal control review for financial documents.

5. Requests for procurement of ADP, minor equipment and furniture must be submitted separately as delineated by the Equipment Program Review Committee (EPRC) instruction.

III. OPTAR EXECUTION PROCEDURES

3. Authority to Use Funds. OPTAR Managers are authorized to use OPTARs for procurement of required resources by direction of the Commanding Officer. These funds may be committed only by appropriate submission of legitimate requisition documents to the Financial Management Department. Prior to sending to Material Management Department this must receive a "Funds Available" certification from Financial Management Department to be processed for procurement. Neither OPTAR Managers nor their representatives must obligate the command to pay for any goods or services (unauthorized commitment), a responsibility resting only with duly authorized procurement officials. Anyone making an unauthorized commitment will be liable for that expense.
3. OPTAR Log. An OPTAR Log should be maintained, including at least the following information. An Excel or Lotus 123 computer application is available from Financial Management Department.
 - a. Date requisition submitted
 - b. Document number
 - c. Nomenclature of item requested
 - d. Unit of issue
 - e. Quantity requested
 - f. Unit price
 - g. Total price
 - h. Date ordered by procuring department
 - i. Expected delivery date
 - j. Date item received
 - k. Final price

3. Other OPTAR Documentation. The OPTAR manager should maintain at least the following additional information:

a. Operating Target Letters. The original letter each fiscal year is the OPTAR manager's initial authority to receive fund. Sample of letter of appointment as OPTAR Holder, exhibit (4). Amendments occur through the year as approved changes take place.

b. Procurement Documents. Copies of all requisitions and other orders, with any modifications thereto, should be kept on file for tracking and validation purposes.

c. Status of Funds Report. These provide status of funds information on a monthly basis and need to be routinely validated against the OPTAR log and related procurement documents. Close coordination with the Financial Management Department is practical to routinely resolve discrepancies if necessary. Sample of Status of Funds Report, exhibit (3).

4. Requisition Numbers. All requisition documents require a 15-character standard document number:

- a. N = Navy
- b. 0622A = Unit Identification Code
- c. _ _ = Fiscal Year (2 digits)
- d. RQ = Requisition
- e. _ _ = Program Manager Number (last 2 digits)
- f. _ _ _ = Serial Number for the order (3 digits)

Program Manager Numbers List is shown in exhibit (5). Serial numbers are to be used in numerical order from 001-999, with added hundreds available by alphabetizing (A01-A99, B01-B99, etc.). Use of a specific number more than once should not occur.

5. Line of Accounting. All requisitions require a line of accounting:

a. AA 97_0130.188F = Appropriations Symbol/Subhead; blank is for last digit of fiscal year.

b. 000 = Object Class

- c. 0622A = Bureau Control Number
- d. 0 = Sub-allotment
- e. 068688 = Authorization Acctg Activity
- f. 2D = Transaction Type
- g. _ _ _ _ _ = Property Acctg Activity (6 digits)*
- h. (leave blank) = Country Code
- i. N0622A_____ = Cost Code (13 digits)
- j. \$ = Dollar Amount

*The Property Acctg Activity entry is the last 6 characters of the Requisition Number (block 6).

The Cost Code consists of the following 13 characters:

- a. 0622A = Unit Identification Code
- b. _ = Last digit of the Fiscal Year
- c. _ _ _ _ _ = Job Order Number (5 characters)
- d. _ = Expense Element (1 alpha character)

Object Class and Expense Element Definitions list is shown in exhibit (6).

6. Validations. OPTAR managers should routinely validate OPTAR records against monthly status of funds reports published by the Financial Management Department.

7. Commitment/Obligation Rates. The command seeks a high standard of financial management performance, reflected by a minimum obligation rate of 99.8% at year-end. To achieve this, OPTAR managers are encouraged to maintain minimum commitment and obligation rates throughout the year. They are also strongly encouraged to assure all procurements are necessary and cost-effective in meeting these goals. Uncommitted funds are carried over from one quarter to the next through the first three-quarters. No funds will be carried from one fiscal year to the next, therefore the Comptroller will consolidate all unused funds during the last month of the fiscal year.

8. Assistance. For additional guidance or assistance, the OPTAR manager should contact Budget Division, Financial Management Department.

S A M P L E REQUEST FOR OPTAR INCREASE

20 Oct 19XX

MEMORANDUM

From: Head, Management Information Systems Department
To: Director for Administration

Subj: **REQUEST FOR OPTAR INCREASE**

Encl: (1) Supporting Documentation

1. I request my department's OPTAR be increased by \$15K for each quarter of this fiscal year. Major MIS supply price increases have made managing the current OPTAR impossible without unacceptably diminishing our mission. Enclosure (1) details these increases and utilization of the products affected. Please contact me at 295-1329 with questions or concerns.

Very Respectfully,

I. M. SERIOUS

Copy: Comptroller

21 Oct 19XX

FIRST ENDORSEMENT

From: Director for Administration
To: Comptroller

1. I have closely examined OPTAR requirements with all my department heads and cannot reasonably satisfy this requirement within my directorate. I request to be on your next available agenda to seek assistance from my fellow directors. Please contact me at 295-1490 with questions or concerns.

Very Respectfully,

DEW U. BELEVIT

7000
01
23 March 98

MEMORANDUM

From: Comptroller/Director Resources Management
To: Operating Target (OPTAR) Holders

Subj: MONTHLY OPTAR STATUS REPORT

Encl: (1) Your OPTAR as of 28 February 98
(2) Travel Report for February 98

1. Enclosure (1) shows the status of your OPTAR as of 28 February 1998. It shows the dollar amount that is available for documents you sent to RMD from October 97 through February 98 for Obligation. Enclosure (2) shows travel documents processed in February through Automated Travel Order System Plus (ATOS PLUS).

2. If you have any questions, please contact Mrs. Boga Dopita at 295-5583 or IC73.

J. C. BELTRANO

Exhibit (3)

S A M P L E

7000
Ser 11/

From: Commanding Officer
To: CDR R. Smith, NC, USN, 123-45-6789/2900

Subj: APPOINTMENT AS OPERATING TARGET (OPTAR) MANAGER

Ref: (a) Financial Management Regulations
(b) NAVCOMPT Manual 032002
(c) CO NSHS ltr 5420 of 18 Aug 97
(d) SECNAVINST 5370.2 (Standards of Conduct)

Encl: (1) DODINST 7200.1
(2) Individual OPTAR Responsibilities

1. You are hereby appointed as the OPTAR holder for the Nurse Corps Program. Per references (a) through (d), enclosure (1) is provided as your approved OPTAR amount. Enclosure (2) provides individual OPTAR responsibilities.

2. You are directed to acquaint yourself with the provisions of enclosure (1) and reference (c) in exercising your responsibilities as an OPTAR manager. Your OPTAR is not subject to 31 U.S. Code 1517. However, administration of an OPTAR carries certain responsibilities that are subject to appropriate disciplinary action under law or regulation. OPTAR holders must plan for approved programs and monitor execution of these programs against the approved plan. Your planning effort should detail how you plan to carry out approved programs, reflected in the Navy's Program Objectives Memorandum (POM), within fiscal constraints. Your execution effort encompasses the appropriate and authorized actions necessary to effectively and economically accomplish the programs for which funds were requested and approved by competent authority. Since your OPTAR reflects approved funds for approved programs, you are not authorized to maintain reserves for contingencies. Your signature on requisition documents certifies that there is money available in your OPTAR for obligation.

3. The OPTAR and budgeting function is a process of adjustment among plans, mission priorities and available resources. Bad administration of OPTARs is not acceptable. Do not exceed your OPTAR. On the other hand, under execution is to be reported to the Comptroller so that funds can be reprogrammed to provide for efficient and economic resource use. Requests for adjustments to your OPTAR will be submitted to the Comptroller in writing and contain detailed justification.

4. My point of contact for this matter is LCDR J.C. Beltrano, MSC, USN, who may be reached at (301) 295-6015.

D. A. WYNKOOP

Exhibit (4)